

Exhibit 5

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C.
20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended January 1, 1978 Commission file number 1-3215.

JOHNSON & JOHNSON

(Exact name of registrant as specified in its charter)

NEW JERSEY

(State or other jurisdiction of
incorporation or organization)

22-1024240

(I.R.S. Employer
Identification No.)

NEW BRUNSWICK, NEW JERSEY

(Address of principal executive offices)

08903

(Zip Code)

Registrant's telephone number, including area code 201-524-0400

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Name of each exchange on
which registered

Common Stock, Par value \$2.50

New York Stock Exchange

The Toronto Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

(Title of Class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒

No ☐

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the close of the period covered by this report.

Common Stock, Par Value \$2.50

58,505,784 shares

(2)

JOHNSON & JOHNSON AND SUBSIDIARIES
1977 ANNUAL REPORT FORM 10-K

Item 1. BUSINESS

The Company, employing approximately 60,500 people worldwide, is engaged in the manufacture and sale of a broad range of products in the health care and other fields in many countries of the world. The Company's primary area of interest, both historically and currently, has been the health care field. Health care is used here in the broad sense as encompassing products related to health and well-being and includes, for example, toiletry and baby care items.

The Company's involvement in product lines outside the health care field has generally been a result of the application of resources, technology and products originally designed for the health care field.

The Company is organized on the principles of decentralized management and conducts its business through operating divisions and subsidiaries which are themselves, for the most part, integral, autonomous operations. Direct line or management responsibility for each company lies with its operating management, headed by a president, general manager or managing director. The chief operating officer of each company reports to a member of the Board of Directors of Johnson & Johnson. Senior management responsibility for these companies is assigned to members of the Executive Committee which is made up of thirteen Directors, ten of whom have operating companies reporting directly or indirectly to them. In line with this policy of decentralization, each international subsidiary is, with some exceptions, managed by citizens of the country where it is located.

SEGMENTS OF BUSINESS

The Company's worldwide business is divided into four industry segments and information regarding such segments is in accordance with Statement No. 14 of the Financial Accounting Standards Board. The industry segments are: Consumer, Professional, Pharmaceutical and Industrial. These segments replace the previously reported Lines of Business: Health Care (Domestic), Industrial & Other (Domestic) and International, which were included in the annual reports from 1971 through 1976. Sales by Classes of Similar Products, which also appeared in the 1971-1976 annual reports, are also being replaced by the segment data.

While SFAS No. 14 requires segments of business reporting starting with 1977, the Company is also including 1976 for comparative purposes. The following descriptions of industry segments provide comments regarding operating profit, which differs from earnings before taxes as it excludes certain income and expense items not allocated to segments, such as interest expense, minority interests and general corporate income and expense.

INDUSTRY SEGMENTS

Consumer

The Consumer segment consists of toiletries and hygienic products, including baby care items, first aid products and non-prescription drugs. The principal market for these products is the general public. Sales of consumer products increased 16.4% to \$1,266,719,000 in 1977, compared to \$1,087,948,000 in 1976. Operating profit in 1977 was \$136,577,000 compared to \$98,261,000 in 1976, an increase of 39.0%.

Professional

The Professional segment includes ligatures and sutures, diagnostic products, dental products, surgical dressings, surgical specialties, surgical instruments and related items used principally by the professional fields including hospitals, physicians, dentists, diagnostic laboratories and clinics. Sales of professional products increased 14.3% to \$836,794,000 in 1977, compared to \$732,160,000 in 1976. Operating profit in 1977 was \$144,532,000 compared to \$115,231,000 in 1976, an increase of 25.4%.

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JOHNSON & JOHNSON AND SUBSIDIARIES
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PRINCIPAL DOMESTIC OPERATIONS (Continued)

Personal Products Company

The field of interest of this subsidiary is primarily products for feminine hygiene. Among its principal products are MODESS Brand Sanitary Napkins, STAY-FREE Brand Absorbent Mini and Maxi Pads and CAREFREE PANTY SHIELD Brand feminine protective pads. Other products include COETTS Brand Cosmetic Squares and SHOWER-TO-SHOWER Brand Body Powder. These consumer products are distributed through both wholesalers and direct buying independent and chain retail outlets.

Pitman-Moore, Inc.

This subsidiary is in the animal health field. The subsidiary's business includes a line of veterinary pharmaceuticals and biologicals and other products applicable to the animal health field. Among its trademarks are "METOPANE", "INNOVAR-VET" and "LEVASOLE". It recently introduced FVR C-P Brand vaccine, an antiviral vaccine for small animals. These products are sold to veterinarians, principally on a direct basis.

Surgikos

Surgikos manufactures and sells specialty products for the hospital operating room. These include disposable packs and gowns, blood filters and an absorbable hemostat under trademarks such as "BARRIER", "INTERSEPT" and "SURGICEL". These products are sold principally to hospitals, both directly and through surgical supply dealers.

INTERNATIONAL OPERATIONS

The international business of Johnson & Johnson is conducted by subsidiaries manufacturing in 39 countries outside the United States and selling in most countries of the world. The Company's practice for more than fifty years has been to establish manufacturing units overseas to service the local markets. The products made and sold in the international business include many of those described above under domestic operations. In addition, however, the Company sells abroad certain products which are not marketed in the United States. The principal markets and methods of distribution in the international business vary with the country and the culture. The products sold in the international business include not only those which were developed in the United States but also those which were developed by subsidiaries located overseas. Examples of subsidiaries which have developed products overseas include Janssen Pharmaceutica N.V. in Belgium and Dr. Carl Hahn GmbH in Germany. The human and veterinary pharmaceuticals developed by the Janssen laboratories and the digital tampon developed by Dr. Carl Hahn are manufactured and sold both in the United States and internationally by the Johnson & Johnson companies.

Investments and activities in some countries outside the United States are subject to a higher risk factor than comparable domestic activities because the investment and commercial climate is influenced by restrictive political and economic policies.

COMPETITION

In all its product lines, the Company competes with companies both large and small, located in the United States and abroad. Competition is strong in all lines without regard to the number and size of the competing companies involved. Competition in research, involving the development of new products and processes and the improvement of existing products and processes, is particularly significant and results from time to time in product and process obsolescence. The development of new and improved products is important to the Company's success in most areas of its business. This competitive environment requires substantial investments in continuing research, quality control and multiple sales forces. In addition, the winning and retention of consumer acceptance of the Company's consumer products involves heavy expenditures for advertising, promotion and selling.

RESEARCH, NEW PRODUCTS AND RELATED MATTERS

Research activities are of significant importance to the Company's business. Major research facilities are located not only in the United States but also in Belgium, Brazil, Canada, Switzerland, West Germany and the United Kingdom.

The following table shows the costs during 1977 and 1976 of worldwide research activities relating to the development of new products, the improvement of existing products and compliance with governmental regulations for the protection of the consumer: